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Michael Phillips, President
POINT
P. O. Box 99554
San Francisco, California 94109

Dear Mr. Phillips:

First, I want to thank you and your fellow Board members for the opportunity to complete the POINT audit and extend my thanks to Lois Brand for her cheerful cooperation and assistance. Secondly, I realize that some of the following suggestions or comments may not be practical for POINT's people to follow or they may no longer be applicable. They are meant to be helpful, and hopefully, useful.

The journals and ledger were maintained in good order by your treasurer and your outside CPA, Vernon John. The paid bill files for the fiscal years ended should be transferred to inactive files and only current year records maintained in an active file. This should also be done with such supporting documents as bank statements and cancelled checks, general correspondence, Random House statements, etc. If this is done, prior year files can be reviewed by your auditor or by federal or state revenue auditors and not tie up current year files. It is also advisable to maintain financial activity records separate from the grant files. For example, some paid bills were quite logically filed in the grant files to which they applied, but this makes it a little difficult to trace from an auditing standpoint. They should be filed under the name to whom the check is made payable.

Review of the grant files indicated several grants had been made for which we could locate no files. Since you are subject to examination by the Internal Revenue Service as well as the Franchise Tax Board, it is advisable that each grant have a file containing a copy of all correspondence to and from the grantee; how the grant was made and by whom approved; the amount of the grant, the date, and the dates and amounts of payments; an acknowledgment by the grantee on the receipt of each payment; if

possible some accounting of the funds as expended by the grantee; the purpose; and hopefully, interim as well as a final report by the grantee. In this connection it is also advisable that the grant, as nearly as possible, be referred to by the same name in the files, the minutes, the payments made, and the correspondence. Failure to do this may cause an examining agent to think funds are being improperly diverted. I noted that some checks were cashed and the cash apparently distributed to the grantees. Since it is obvious, I will not belabor you with the undesirability of that procedure. And finally, maintaining grant records under one name lessens the time any auditor has to spend.

Duplicate deposit slips should be prepared and retained in the files with a notation as to the source of the funds. According to the minutes having one signature on checks was suggested, but was vetoed. Since the internal control is already weak, the veto was an appropriate action. It is advisable to continue having at least two signatures on all checks. Someone on the Board should periodically review withdrawals from the savings account and trace them to deposits in the commercial account.

I could not locate insurance policies nor expenditures for premium payments. Since insurance is an even weirder field than accounting, I cannot advise you as to POINT's exposure. It seems to me, however, that POINT has some liability exposure from board members, employees, grantees, etc. If there is no coverage, someone in the insurance field should be consulted.

Since POINT has moved it's principal place of business, there should be a resolution in the minutes to that effect.

As indicated in the audit report there is a rather large difference in the unit costs of the books published by Random House. An examination of the costs records as well as the sales records is certainly in order. Any efforts in that direction are well warranted. I also found that according to our calculation the number of copies in inventory should be about 30,000, whereas according to their confirmation there is actually 44,900 in inventory.

Without a new income producing project, the net income before grants will be considerably less in the near future. Since your grants are in cash, I think it would be helpful for you and the Board to know monthly, if possible, but not less than quarterly, what your real cash position is at the end of each month or quarter. That is, the cash balances of all checking, savings and time deposit accounts plus the actual amount expected to be realized

from loans and accounts receivable (if a loan to a grantee is likely to be converted to a grant, it should not be considered as realizable cash) plus the market value of investments (do not include any investment that does not have a ready market) minus all liabilities owing to creditors and grantees. Market fluctuations from the date of the report to the date of the meeting will, of course, have to be taken into consideration.

Please let me know if you have any questions regarding the foregoing or the audit report.

Sincerely yours,

Don Moon

Donald Frederick Moon

DFM/jp